

FISCAL NOTE

Bill #: SB0467 **Title:** Adjustment of guaranteed tax base payments for successful property tax protest

Primary Sponsor: Elliott, J **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary	FY 2003 <u>Difference</u>	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
Expenditures:			
General Fund	\$473,157	\$1,111,791	\$1,106,872
Revenue:			
State Special Revenue	\$453,157	\$1,111,791	\$1,106,872
Net Impact on General Fund Balance:	(\$453,157)	(\$1,111,791)	(\$1,106,872)

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| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. Under 15-1-402, MCA (statutory guidelines for property taxes paid under protest), when protesting property taxes, a person or business is not required to state the amount of taxable value that is being protested. The value being protested is the dollar amount of property taxes to be paid. (see technical note)
2. To date, PPL Montana has not provided the department of revenue with the amount of assessed or taxable value that is under protest.
3. The department of revenue would estimate the taxable value of the protested portion of PPL Montana property based on the dollar amount of taxes protested.
4. There would be no administrative costs to the department of revenue.

Office of Public Instruction

5. 32 school districts are affected by the tax protest filed by PPL Montana, Inc. in tax year 2002. On average the protested portion represents 3.92% of the total taxable valuation for these districts.
6. When the Office of Public Instruction calculates the guaranteed tax base (GTB) subsidy per mill for a school district, it uses the taxable valuation provided by the Department of Revenue (DOR) including any protested valuation. When a district computes the number of mills needed to fund its general fund budget, the district must also use the taxable valuation provided by DOR, including any protested portion.

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(continued)

7. If the protested portion of a district's taxable valuation is used to compute the GTB subsidy and BASE budget mills for a school district, both the mills and the GTB subsidy payment to the district are lower than they would be if the protested portion were not included.
8. SB 467 establishes a State GTB Reserve account in the state special revenue fund to pay districts for GTB due to the districts for prior years. The payment will be made to the districts after the resolution of the PPL Montana tax protest for tax years 2002 and later.
9. In FY 2003, the amount reserved in the State GTB Reserve account reflects an adjustment to school district taxable valuations, but not their GTB subsidy per mill (which is derived from TY2001). In FY2004 and FY2005, the amount reserved reflects adjustments to both the GTB subsidy per mill and the district taxable valuation.
10. The amounts required to be reserved under SB 467 are \$473,157 for FY2003, \$1,111,791 for FY2004, and \$1,106,872 for FY2005. These are the amounts for which school districts would be eligible if PPL Montana is successful in its tax protest. To the extent that PPL Montana is only partially successful, the amount due school districts would be less.

FISCAL IMPACT:

	<u>FY2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>			
Transfers - State GTB Reserve	\$473,157	\$1,111,791	\$1,106,872
<u>Funding of Expenditures:</u>			
General Fund (01)	\$453,157	\$1,111,791	\$1,106,872
<u>Revenues:</u>			
State Special (02) State GTB Reserve	\$453,157	\$1,111,791	\$1,106,872
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>			
General Fund (01)	(\$453,157)	(\$1,111,791)	(\$1,106,872)
State Special Revenue (02)	\$453,157	\$1,111,791	\$1,106,872

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Passage of SB 467 will restore state GTB funding to school districts in the event that their taxable valuation is reduced as a result of the PPL Montana tax protest. This action will reduce the need for property tax increases to replace school district operating reserves that are drawn down as a result of the tax protest.

TECHNICAL NOTES:

1. The first WHEREAS states that PPL Montana “has protested its taxable valuation for tax year 2002...”. This is not correct. PPL Montana is not required to protest taxable valuation. The WHEREAS could be changed to say that PPL Montana “has protested its *property taxes* for tax year 2002....”.